and services at the expense of the consumer; but when once the new buying power has been distributed by the State's payments it is in the hands of the i^ttion as a whole. If the process ceased, the nation would still have control of the whole of its output, which is its income, though the injustice involved, to those who are not strong enough to resist the effects of higher prices, would continue.

Thus, whatever means—straightforward or devious—are used for financing war, it is paid for while it goes on by the warring country if the financing is done at home, or by its foreign creditors if the financing is done abroad. And it is, neces-sarily, almost entirely paid for out of income, that is, out of current production. It is curious to find that many people still seem to think that the whole cost of the war has come out of capital. Luckily for us it could not be done, or only to a very small extent. Our capital mostly consisted of railways, factories, ships, roads, agricultural land, machinery, houses and other things that could not be taken and shot out of a gun. These things we have still got, and though many of them are not in such good shape as they were, some of them are much better equipped and organised. We have drawn on our stocks of materials and goods—how far it is impossible to^ say; we have lost 8 J million tons of shipping by war

losses; in the meantime we have built, bought and captured 5| millions of new tonnage, and we have a claim against the Germans for such tonnage. On capital account we have suffered by wear and tear in so far as our upkeep has been neglected owing to lack